

EXHIBIT B

Due Diligence **Mergers & Acquisitions**

Robinhood: playing for keeps

Retail trading app agreed has seen its popularity skyrocket but has found itself in hot water



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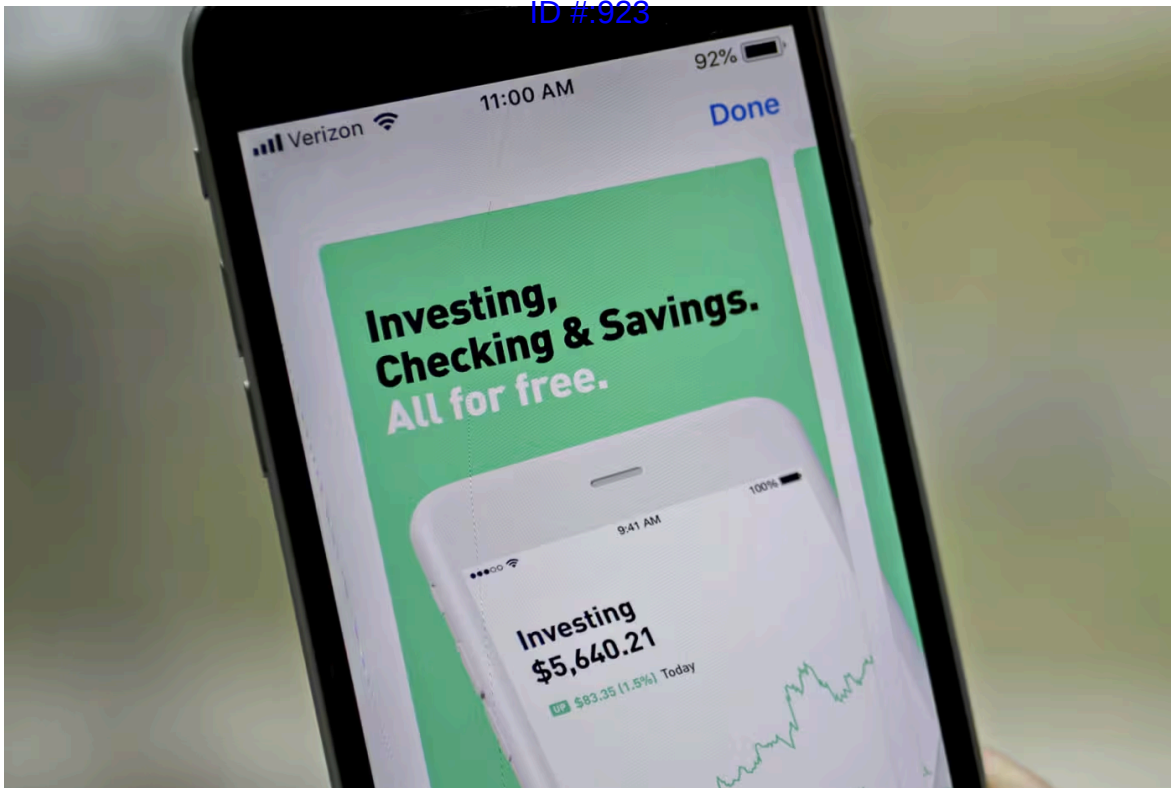
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One think piece to start: London has struggled to compete with bustling equity markets in the US and China. The FT's Daniel Thomas chronicles the UK's quest to regain its IPO mojo [here](#).

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Robinhood: game theory

Robinhood, the trading app named after the legendary outlaw who steals from the rich to give to the poor, is increasingly having a hard time living up to the reputation of its namesake.



The Robinhood application displayed in the Apple App Store © Bloomberg

The Menlo Park-based group, which has seen its popularity skyrocket during the pandemic as retail investors flocked to its millennial-friendly platform, was founded with a mission to help provide everyone with access to the financial markets. Its message has resonated with investors who have valued the company at more than \$11bn.

But Robinhood has found itself in hot water with regulators. On Thursday, the company agreed to [pay \\$65m](#) to settle charges from US securities regulators that it failed to provide its customers with the best prices for trades on its platform.

News of the settlement came just one day after the **Massachusetts Securities Division** [launched legal action](#) against Robinhood, accusing it of “gamifying” investing. For anyone who hasn’t used the app, confetti rains down after a customer makes a trade and there are often prompts to go into more complex trading products such as options and derivatives.

According to the **Securities and Exchange Commission**, before 2018, Robinhood didn’t disclose on its website about how it was making money from deals with high-speed trading groups such as **Citadel Securities** and **Two Sigma Securities** (the trading platform named them as market makers in a [disclosure to the SEC](#)) — not quite the band of merry men some would expect.

The two groups were not named by the SEC in its complaint against Robinhood and haven't been accused of any wrongdoing.

The practice is something called payment for order flow. It sounds complex but Robinhood is essentially paid by high-speed traders to route its customers' orders through them, allowing them to execute the trades.



Robinhood co-founders and co-chief executives Baiju Bhatt (above) and Vlad Tenev (below) © Bloomberg



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Here's the deal: this process is used by all large retail brokers. The legend goes that **Bernard Madoff** — yes, the guy who, separately, ran a huge Ponzi scheme — pioneered the practice. The difference is that retail brokers have to disclose it.

According to the SEC, Robinhood didn't make that clear. The regulator said the company had "wilfully" violated the Securities Act by misleading customers on how it makes money.

In a statement, Robinhood said the practices under scrutiny in the settlement "do not reflect Robinhood today".

The SEC said Robinhood had deprived customers of \$34.1m because of payments from high-speed trading houses that influenced its decisions over how trades were executed. Its users would've been better off placing orders with other brokers, according to the Wall Street watchdog.

The question people will want to ponder is, "who's really making out like bandits here?"

Out of sight, out of mind: MindGeek and the new pornographers

A shadow industry of adult content has risen from the depths of the internet to take on Silicon Valley's most powerful data-crunchers.

But unlike the internationally revered (or reviled) leaders of big tech behemoths, you won't find the top executives of online pornography offering takes on cable news or sitting next to **Mark Zuckerberg** and **Jeff Bezos** at an antitrust hearing.

In fact, until [this investigation](#) by the FT's Patricia Nilsson, the identity of the world's most successful porn magnate was a mystery.



MindGeek's headquarters in Montreal © Kristoffer Tripplar/Alamy

MindGeek, the secretive owner of highly trafficked sites including **PornHub** and **RedTube**, is primarily owned by a businessman called **Bernard Bergemar**, a fact previously known perhaps only by a small circle of MindGeek executives and their advisers.

Like its top ranks, the company's early lenders are also eager to keep out of the limelight.

The web of porn providers that would eventually become MindGeek was pieced together by the German businessman **Fabian Thylmann**, who in the late 1990s developed one of the first pieces of software allowing website owners to charge for advertisements. A new era had begun.

Fast-forward to 2011, when Thylmann secured \$362m in debt from 125 secret investors that — according to one financial backer — included **Fortress Investment Group, JPMorgan Chase** and **Cornell University**.

The California-based investment adviser **Glendon Capital** was also said by a former investor to be one of its biggest backers, but a person close to the group said it had sold its position.

All three companies declined to comment, while the university said that its investment managers' portfolios were confidential.

Whichever investors helped out MindGeek along the way, their investments have certainly paid off.

Thylmann would be charged with tax evasion in late 2012 and sell the company to senior managers **Feras Antoon** and **David Tassillo**, but the Montreal-headquartered, Luxembourg-listed group went on to pull in just over \$460m in revenues in 2018, and draws more than 115m visitors to its websites every day.

Unfortunately, the sheer reputational concerns of being affiliated with porn are not the only reason industry heads and investors may be playing coy.



A banner at an International Women's Day march in Toulouse carries the message 'I'm more than a keyword on YouPorn'. © Alain Pitton/NurPhoto/Getty

Each day about 15 terabytes of videos are uploaded to MindGeek's free-to-watch sites, roughly half the amount available on Netflix. Much of that content, uploaded by others, has been stolen or appears poorly regulated by both governments and the porn companies themselves, inviting issues from piracy to exploitation of children and sex trafficking to revenge porn.

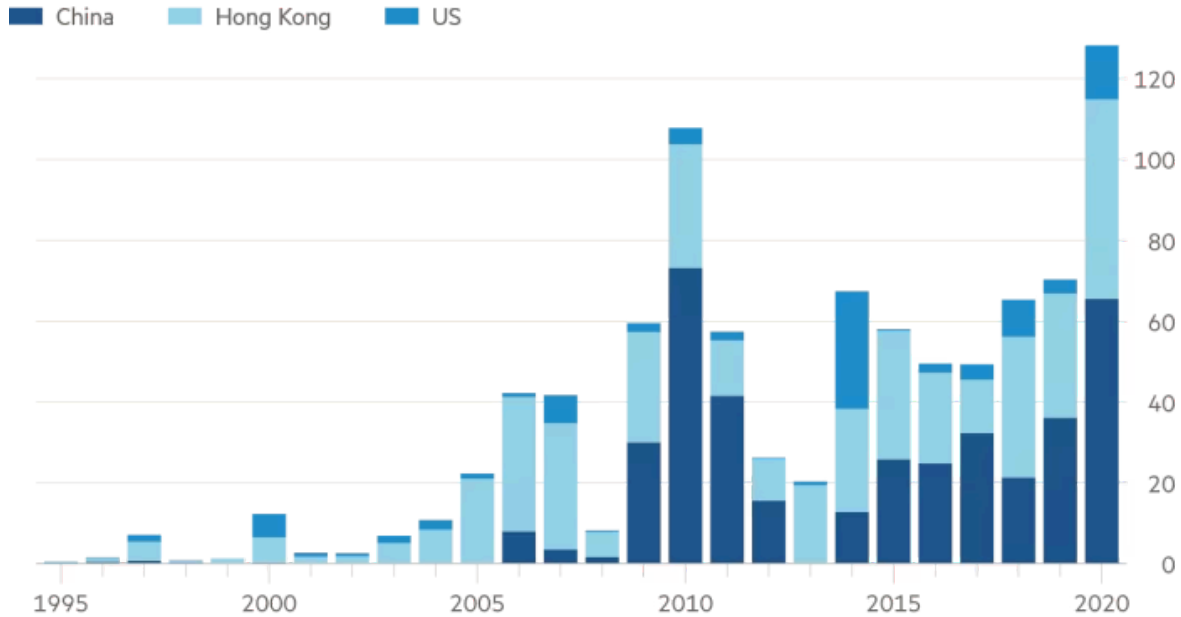
Wall Street and China: star-crossed profits

A trade war is still simmering and a fight over finance is gaining steam. But Wall Street [hasn't seemed to notice](#).

Big tech debuts like that of [JD Health](#)'s \$3.5bn Hong Kong listing and the [online lender Lufax](#)'s \$2.4bn New York IPO have fuelled the record \$132.3bn Chinese companies raised this year, or 38 per cent of all global equity fundraising in 2020.

China equity fundraising climbs to record high in 2020

Funds raised from primary and secondary share offers (\$bn)



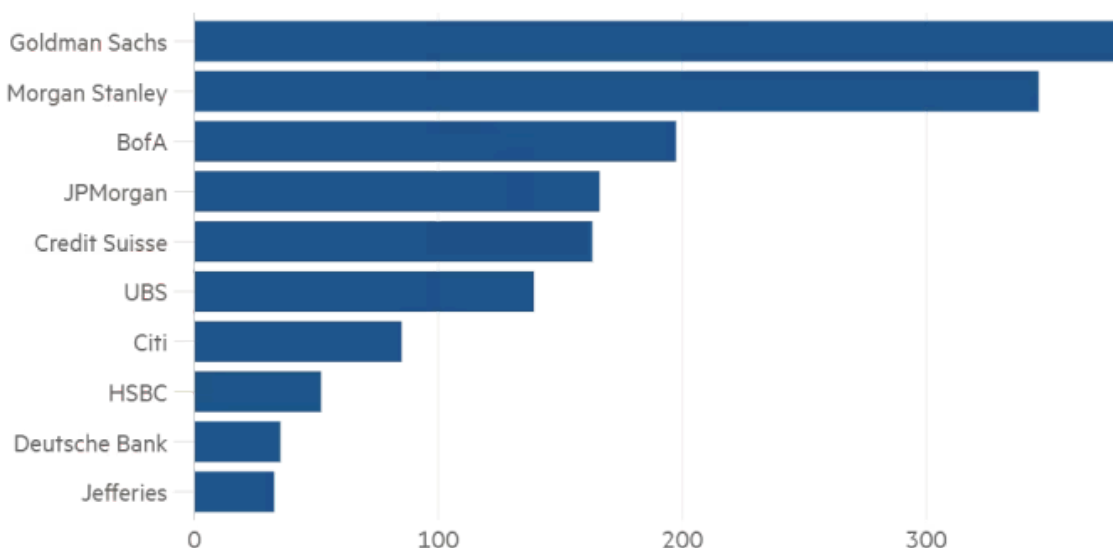
Source: Dealogic

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Investment bankers outside China raked in \$1.73bn from selling shares in Chinese groups, with US banks accounting for four of the top five global earners on those deals, led by **Goldman Sachs** and **Morgan Stanley** — which reaped \$382m and \$346m in equity fees from the listings respectively. **Bank of America's** fees from China deals jumped more than 300 per cent to \$197m this year, with the bank blowing past **JPMorgan** and **Credit Suisse** to take third place.

Goldman Sachs and Morgan Stanley top earners in China equities trade

Revenues from China equity capital markets deals (\$m)



Totals cover deals in Hong Kong, mainland China and the US as of December 15 2020

Source: Dealogic

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Of course, there was one notable gap in the windfall. Beijing regulators' decision to [halt](#) **Ant Group**'s hulking \$37bn IPO may have helped tip the scale in topping banks' \$1.77bn fee record earned from Chinese groups in 2010.

Job moves

- **Rio Tinto** has named its finance director **Jakob Stausholm** as its next chief executive. He will replace **Jean-Sébastien Jacques**, who stepped down following an international outcry over the destruction of a sacred Aboriginal site. [More here](#).
- **St James's Place** [named](#) **Paul Manduca** as its next chairman. Manduca has chaired **Prudential Group** since 2012.
- Law firm **Goodwin** has hired **Joshua Zachariah** as a partner in its M&A practice. He joins the Boston office after working as a partner at **Kirkland & Ellis** in San Francisco and New York.
- **Raymond James Financial** has agreed to acquire boutique investment bank **Financo**. As a result, the combined consumer and retail practice will be led by Financo's chief executive **John Berg**.

Smart reads

The French Fox News Speculation is brewing that the battle between luxury tycoon Bernard Arnault and billionaire businessman Vincent Bolloré for media group Lagardère is getting political. French president Emmanuel Macron has taken notice. ([Reuters](#))

Spacs in space Evangelist of the blank-cheque boom Chamath Palihapitiya has sold \$98m worth of stock in his intergalactic Spac venture with Richard Branson. According to him, it was to manage his liquidity. But an aborted space flight test by the start-up last weekend has raised questions. ([FT Alphaville](#))

Golden oldies A growing musical taste for “the old stuff” has pivoted the future of the streaming wars directly into the past, writes Spotify’s former economist Will Page, as yesteryear’s hits find new life, and the ever-evolving music industry rushes to monetise nostalgia. ([FT](#))

Taking the cake Investment groups and hedge funds are increasingly churning out bankruptcy loans to take control of ailing corporations so quickly that lower-ranking creditors often miss the memo. ([Bloomberg](#))

News round-up

[Blackstone in talks with private jet group Signature Aviation over £3bn deal](#) (FT)

[Coinbase files for US listing in a first for a cryptocurrency exchange](#) (FT + [Lex](#) + [Alphaville](#))

[Switzerland charges Credit Suisse in money laundering case](#) (FT)

[John Gutfreund’s decor, once a symbol of excess, could fetch \\$7 million](#) (BBG)

[Toscafund to take TalkTalk private in £1.1bn deal](#) (FT)

[Toshiba’s largest investor escalates clash with management](#) (FT)

[UAE-Israeli partnership agrees deal to buy Finabl](#) (FT)

[Future of the City: London’s markets rivalry with EU intensifies](#) (FT)

[Former German defence minister defends his Wirecard lobbying](#) (FT)

Newcastle United casts futile vote against Premier League \$500m Middle East TV deal (FT)

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